



JAMES H. "JIM" BROWN
COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

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July 30, 1993

**Louisiana Health Service & Indemnity Co.
d/b/a/ Blue Cross & Blue Shield of LA
Bluebonnet Marketing Corp.
HMO Louisiana Inc.
and their Officers and Directors
5525 Reitz Avenue
Baton Rouge, Louisiana 70809**

**HAND DELIVERY AND
BY CERTIFIED MAIL**

**Attention: Mr. Jake Netterville
Mr. Milton Womack**

RE: DIRECTIVE 114

Dear Ladies and Gentlemen:

Reference is made to the agreements set forth in the Motion for Consent Judgment and Partial Dismissal (the "Agreement") dated July 26, 1993. In keeping with the agreements set forth therein and the understanding of the Commissioner of Insurance per the meeting with officers and directors of Blue Cross on July 23, 1993, the following is directed:

- A. An updated application to the national Blue Cross and Blue Shield Association should be immediately prepared and submitted to ensure continuation, without abatement, of the license and the use of the trademarks;**
- B. Action should be taken by Blue Cross to effect the assignment of proxies in possession and control of former directors of Blue Cross jointly to Mr. Jake L. Netterville and Mr. Milton Womack, such proxies to be exercised by Messrs. Netterville and Womack in accordance with the aforementioned Agreement;**
- C. A meeting of the remaining Board members of Blue Cross should be held as soon as practical to fill the existing vacancies created on the Board of Directors. The names of qualified individuals should be submitted to the Commissioner of Insurance for confirmation, and all such persons confirmed by the Commissioner should be immediately elected to the Board in accordance with the governing documents of Blue Cross;**

D. Once seated, the Board of Directors of Blue Cross should undertake the investigation and evaluation of the following nonexclusive matters:

- 1. An updated application to the National Blue Cross and Blue Shield Association should be immediately prepared and submitted to ensure continuation, without abatement, of the license and the use of the trademarks;**
- 2. Officers should be elected by the Board, including but not necessarily limited to the following: Chairman of the Board of Directors, Vice Chairman of the Board of Directors, President and Chief Executive Officer, Vice President, Secretary, and Treasurer of Louisiana Blue Cross/Blue Shield. These officers should be put in place and assigned their respective duties under the governing instruments of Blue Cross as soon as practical,**
- 3. An audit committee of the Board of Directors should be formed for the purpose of investigating and evaluating audit controls and lines of communication, which committee should report its findings and recommendations directly to the Board of Directors as soon as practicable,**
- 4. A committee of the Board of Directors should be formed to investigate and evaluate all allegations with respect to prior management and report findings and recommendations as soon as practical directly to the Board of Directors,**
- 5. A committee of the Board of Directors should be formed for the purpose of evaluating pending litigation with respect to Blue Cross and affiliates and to determine the disposition of such litigation and a report prepared as soon as practical directly to the Board of Directors,**
- 6. The Board of Directors should immediately review and evaluate the Management Agreement dated August 30, 1989, as amended, between Blue Cross and United Healthcorp, Inc., and determine appropriate action with respect thereto.**
- 7. The Board of Directors should appoint a committee to investigate, evaluate and report to the Board on the "carve out" and "discount" problems. The report should make findings of fact and recommendations to the Board.**

8. **Please provide me with copies of all reports prepared for or submitted to the Board and keep Mr. Mills and my staff informed of all significant Board and management decisions.**

Mr. P. J. Mills will remain on the premises at Blue Cross for the time being principally to assist Blue Cross with marketing efforts and such other activities as may be appropriate. The department examination staff is nearing completion of the examination which commenced in April of 1992; pending receipt of certain final documentation and information.

It is anticipated that the normal exit interview will be held shortly, and the other statutory procedures for the finalization of the examination will be followed. All other personnel of the Department of Insurance, including specifically those of the Receivership Division and the attorneys for the Department of Insurance, will have left the premises hopefully as early as Friday, July 30, 1993.

You may be assured that in connection with the above mentioned investigations and evaluations, all nonconfidential information that is in the possession of the Insurance Department, its contractors, agents, and attorneys, will be made fully available to you. It is our intent to assist you in these evaluations and investigations to the extent you deem appropriate. Should you determine to take action on the basis of any of these investigations, we are available to counsel with you and to assist you in any way you desire.

Very truly yours,



James H. "Jim" Brown
Commissioner of Insurance

JHB:ch

cc Mr. P.J. Mills
Mr. Randal Beach
Mr. Darrell Cobb
Mr. Bob Murphy
Mr. Malcolm Veazie
Ms. Sue Buser
Mr. Paul Mirabile
Mr. Van Mayhall